

Bundled payments for physician services

ISSUE: The physician fee schedule consists of payment rates for over 7,000 discrete services. Is it time to revisit the fee schedule's unit of payment? Making the unit of payment larger would expand on the current policy of bundled payments for surgical services, which, for a given surgical procedure, include payment for pre-operative visits, the procedure, and post-operative visits.

KEY POINTS: Reasons to consider an expanded bundling policy are:

- A larger unit of payment would put physicians at greater financial risk for the services provided and could thus give them an incentive to reduce overuse of services.
- It is now more feasible, administratively, to bundle payments for nonsurgical services than it was in the 1980s, when the current policy was adopted on bundling surgical services.
- Bundled services, more so than discrete services, can be linked to evidence-based measures of the quality of care. This could make bundled payments part of the effort to use payment differentials to improve quality.

Questions remain, however, about the extent to which an expanded bundling policy is appropriate. Those questions concern procedures for identifying services in payment bundles, payment amounts for the bundles, and the implications of further bundling for the quality of care. At the meeting, staff will present a plan for addressing these questions as part of work on the Commission's June 2004 report to the Congress.

ACTION: Commissioner discussion at the meeting will guide further staff work on this topic.

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